

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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St. Ansgar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Allan Stelpflug	President	2009
Karla Smith	Vice President	2008
Carol Adams	Board Member	2007
Elaine Steinberg	Board Member	2007
Gene Hertel	Board Member	2008
Charlotte Gordon	Board Member	2008
Nick Hatten	Board Member	2009
Board of Education (After September 2007 Election)		
Allan Stelpflug	President	2009
Karla Smith	Vice President	2008
Gene Hertel	Board Member	2008
Charlotte Gordon	Board Member	2008
Nick Hatten	Board Member	2009
Ed Kleinwort	Board Member	2010
Bryan Shupe	Board Member	2010
School Officials		
Dwight Widen	Superintendent	2008
Lisa Groth	Business Manager District Secretary	2008
Patrick Rourick	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
St. Ansgar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District, St. Ansgar, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

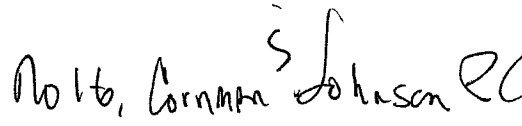
In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2009 on our consideration of St. Ansgar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ansgar Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The St. Ansgar Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,814,015 in fiscal 2007 to \$6,490,227 in fiscal 2008, while General Fund expenditures decreased from \$6,134,230 in fiscal 2007 to \$5,960,689 in fiscal 2008. This resulted in an increase in the District's General Fund balance from a deficit \$631,563 in fiscal 2007 to a balance of a deficit \$101,995 in fiscal 2008, an 83.9% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2008. The decrease in expenditures was due primarily to decreases in expenses related to the support services functional area.
- Since the end of fiscal year 2006, the District's General Fund carryover balance has increased from a deficit \$312,513 to a deficit \$101,995 as of the end of fiscal year 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of St. Ansgar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report St. Ansgar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which St. Ansgar Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds as well as the District's fiduciary fund, the Private Purpose Trust.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

St. Ansgar Community School District Annual Financial Report

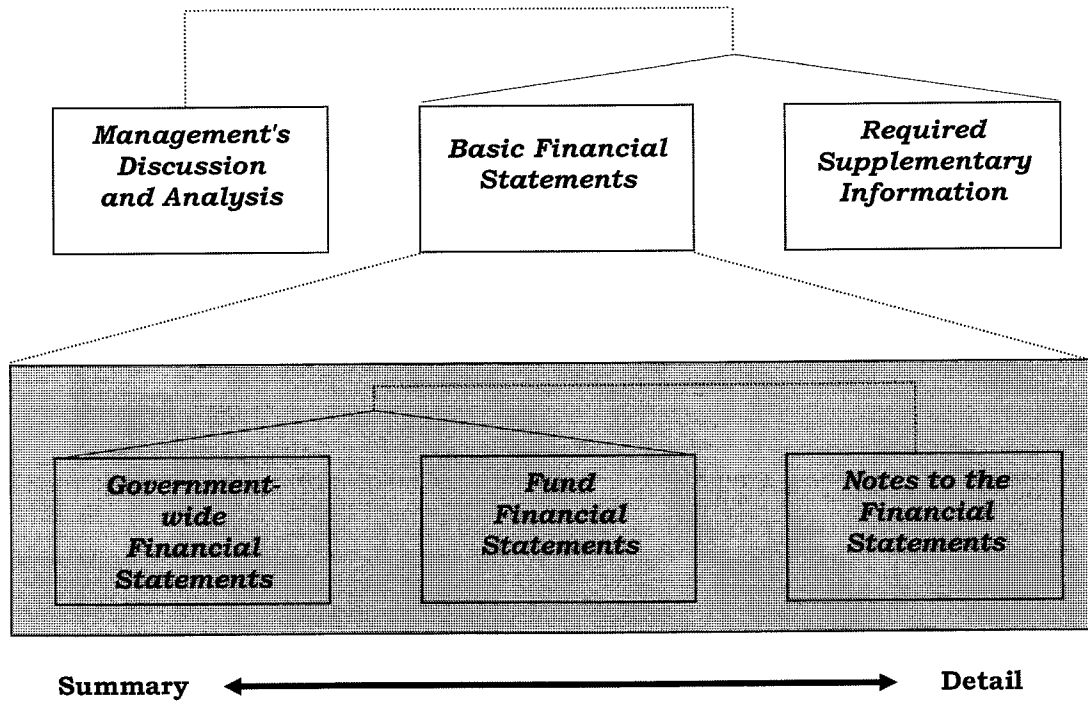


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Farm.

The District's internal service fund, another type of proprietary fund, is the same as its governmental activities, but provide more detail and additional information, such as cash flows. The District has one internal service fund for health insurance benefits.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 7,034,189	6,235,449	51,159	41,217	7,085,348	6,276,666	12.88%
Capital assets	3,550,495	3,532,863	11,230	9,336	3,561,725	3,542,199	0.55%
Total assets	10,584,684	9,768,312	62,389	50,553	10,647,073	9,818,865	8.43%
Long-term obligations	1,929,237	2,131,896	0	0	1,929,237	2,131,896	-9.51%
Other liabilities	5,649,451	5,837,967	5,447	941	5,654,898	5,838,908	-3.15%
Total liabilities	7,578,688	7,969,863	5,447	941	7,584,135	7,970,804	-4.85%
Net assets:							
Invested in capital assets, net of related debt	1,790,495	1,557,863	11,230	9,336	1,801,725	1,567,199	14.96%
Restricted	1,141,662	397,747	0	0	1,141,662	397,747	187.03%
Unrestricted	73,839	(157,161)	45,712	40,276	119,551	(116,885)	202.28%
Total net assets	\$ 3,005,996	1,798,449	56,942	49,612	3,062,938	1,848,061	65.74%

The District's combined net assets increased by 65.74%, or \$1,214,877, over the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 187.03%, or \$743,915, over the prior year. This increase is due primarily by recognizing carryover balances in state grants that had not previously been accounted for in this calculation.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$236,436, or 202.28%. This is due mainly to the lowering of the deficit fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 575,611	501,777	211,928	220,370	787,539	722,147	9.06%
Operating grants and contributions and restricted interest	809,361	911,649	114,780	117,933	924,141	1,029,582	-10.24%
Capital grants and contributions and restricted interest	16,575	125,000	0	0	16,575	125,000	-86.74%
General revenues:							
Local tax	3,380,718	2,913,771	0	0	3,380,718	2,913,771	16.03%
Local option sales and services tax	485,306	413,029	0	0	485,306	413,029	17.50%
Unrestricted state grants	2,439,914	2,402,142	0	0	2,439,914	2,402,142	1.57%
Other	213,028	127,817	1,093	723	214,121	128,540	66.58%
Total revenues	7,920,513	7,395,185	327,801	339,026	8,248,314	7,734,211	6.65%
Program expenses:							
Governmental activities:							
Instructional	4,458,022	4,499,228	0	0	4,458,022	4,499,228	-0.92%
Support services	1,786,839	1,901,545	0	0	1,786,839	1,901,545	-6.03%
Non-instructional programs	0	8,400	320,471	315,677	320,471	324,077	-1.11%
Other expenses	468,105	806,075	0	0	468,105	806,075	-41.93%
Total expenses	6,712,966	7,215,248	320,471	315,677	7,033,437	7,530,925	-6.61%
Changes in net assets	1,207,547	179,937	7,330	23,349	1,214,877	203,286	497.62%
Beginning net assets	1,798,449	1,618,512	49,612	26,263	1,848,061	1,644,775	12.36%
Ending net assets	\$ 3,005,996	1,798,449	56,942	49,612	3,062,938	1,848,061	65.74%

In fiscal 2008, local tax and unrestricted state grants account for 73.49% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.67% of the revenue from business type activities.

The District's total revenues were approximately \$8.25 million of which \$7.92 million was for governmental activities and slightly less than \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.65% increase in revenues and a 6.61% decrease in expenses. Unrestricted state grants increased \$37,772 and property tax increased \$466,947 to fund increases in expenditures. The decrease in expenditures can be attributed to staff reductions and eliminating certain programs that were deemed unnecessary.

Governmental Activities

Revenues for governmental activities were \$7,920,513 and expenses were \$6,712,966.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,458,022	4,499,228	-0.92%	3,307,897	3,312,368	-0.13%
Support services	1,786,839	1,901,545	-6.03%	1,785,431	1,901,545	-6.11%
Non-instruction	0	8,400	-100.00%	0	8,400	-100.00%
Other expenses	468,105	806,075	-41.93%	218,091	454,509	-52.02%
Totals	<u>\$ 6,712,966</u>	<u>7,215,248</u>	<u>-6.96%</u>	<u>5,311,419</u>	<u>5,676,822</u>	<u>-6.44%</u>

- The cost financed by users of the District's programs was \$575,611.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$825,936.
- The net cost of governmental activities was financed with \$3,380,718 in local tax, \$485,306 in local option sales and service tax, \$2,439,914 in state grants and \$136,803 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$327,801 and expenses were \$320,471. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the St. Ansgar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,129,588, above last year's ending fund balances of \$346,945. The primary reason for the increase in combined fund balances is attributable to increases in General Fund fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and local source revenues resulted in an increase in revenues. Reduction of staff and the elimination of unnecessary programs led to the decrease in expenditures. The increase in revenues coupled with the decrease in expenditures led to an increase in fund balance from a deficit \$631,563 in fiscal 2007 to a deficit \$101,995 in fiscal 2008.
- The Capital Projects fund balance overall decreased from \$576,404 in fiscal 2007 to \$531,431 in fiscal 2008. The decrease in fund balance is attributable to the increase in revenues not being enough to offset the increase in fund expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund's increase in interest income coupled with an overall decrease in fund expenditures for the year ended June 30, 2008, allowed the overall net assets to increase from \$31,625 at June 30, 2007 to \$39,315 at June 30, 2008, representing an increase of 24.32%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$311,040 more than budgeted revenues, a variance of 4.03%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Initially, total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Despite the District's practice, during the year ended June 30, 2008, the District adopted one budget amendment increasing total expenditures by \$446,281. The District also exceeded its unspent authorized budget for the year ended June 30, 2008, by \$605,217.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,561,725, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.55% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$190,973.

The original cost of the District's capital assets was \$8,516,913. Governmental funds account for \$8,424,998 with the remainder of \$91,915 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$0 at June 30, 2007 as compared to \$125,502 at June 30, 2008. This increase is due to reclassification of assets into the land improvements category that were not being kept track of in previous years.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 105,408	105,408	0	0	105,408	105,408	0.00%
Buildings	2,969,225	3,022,391	0	0	2,969,225	3,022,391	-1.76%
Land improvements	125,502	0	0	0	125,502	0	100.00%
Machinery and equipment	350,360	405,064	11,230	9,336	361,590	414,400	-12.74%
Total	\$ 3,550,495	3,532,863	11,230	9,336	3,561,725	3,542,199	0.55%

Long-Term Debt

At June 30, 2008, the District had \$1,929,237 in general obligation, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	1,760,000	1,975,000	-10.9%
Early retirement	156,896	156,896	0.0%
Compensated absences	12,341	0	100.0%
Total	\$ 1,929,237	2,131,896	-9.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District is waiting for a decision by the SBRC on whether modified allowable growth will be granted for the FY 08 negative unspent balance.
- The District will share a transportation director with Riceville CSD during FY 09 to receive sharing incentive funds during FY 10.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Groth, Business Manager/Treasurer, St. Ansgar Community School District, 206 East 8th Street, St. Ansgar, Iowa, 50472.

BASIC FINANCIAL STATEMENTS

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,900,176	0	1,900,176
Other	1,555,473	42,752	1,598,225
Receivables:			
Property tax:			
Delinquent	41,091	0	41,091
Succeeding year	3,010,771	0	3,010,771
Income surtax	214,697	0	214,697
Accounts	388	3,148	3,536
Accrued interest:			
ISCAP(Note 4)	9,443	0	9,443
Due from other governments	302,150	0	302,150
Inventories	0	5,259	5,259
Capital assets, net of accumulated depreciation(Note 5)	3,550,495	11,230	3,561,725
TOTAL ASSETS	10,584,684	62,389	10,647,073
LIABILITIES			
Accounts payable	161,619	236	161,855
Salaries and benefits payable	549,888	0	549,888
ISCAP warrants payable(Note 4)	1,888,000	0	1,888,000
ISCAP interest payable(Note 4)	10,047	0	10,047
ISCAP unamortized premium	24,712	0	24,712
Accrued interest payable	4,414	0	4,414
Deferred revenue:			
Succeeding year property tax	3,010,771	0	3,010,771
Unearned revenue	0	5,211	5,211
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	220,000	0	220,000
Compensated absences payable	12,341	0	12,341
Early retirement payable	43,289	0	43,289
Portion due after one year:			
General obligation bonds payable	1,540,000	0	1,540,000
Early retirement payable	113,607	0	113,607
TOTAL LIABILITIES	7,578,688	5,447	7,584,135
NET ASSETS			
Invested in capital assets, net of related debt	1,790,495	11,230	1,801,725
Restricted for:			
Professional development	20,953	0	20,953
Market factor	3,615	0	3,615
Market factor incentives	4,942	0	4,942
Talented and gifted	17,583	0	17,583
Model core curriculum	3,164	0	3,164
Iowa child abuse prevention program	16,718	0	16,718
Management levy	103,348	0	103,348
Physical plant and equipment levy	341,601	0	341,601
Capital projects	531,431	0	531,431
Debt service	594	0	594
Other special revenue purposes	97,713	0	97,713
Unrestricted	73,839	45,712	119,551
TOTAL NET ASSETS	\$ 3,005,996	56,942	3,062,938

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,878,339	228,745	539,383	0	(2,110,211)	0	(2,110,211)
Special instruction	681,929	93,993	35,131	0	(552,805)	0	(552,805)
Other instruction	897,754	252,873	0	0	(644,881)	0	(644,881)
	4,458,022	575,611	574,514	0	(3,307,897)	0	(3,307,897)
Support services:							
Student services	133,895	0	0	0	(133,895)	0	(133,895)
Instructional staff services	91,124	0	0	0	(91,124)	0	(91,124)
Administration services	695,632	0	0	0	(695,632)	0	(695,632)
Operation and maintenance of plant services	439,362	0	0	0	(439,362)	0	(439,362)
Transportation services	426,826	0	1,208	200	(425,418)	0	(425,418)
	1,786,839	0	1,208	200	(1,785,431)	0	(1,785,431)
Other expenditures:							
Facilities acquisitions	90,522	0	0	16,375	(74,147)	0	(74,147)
Long-term debt interest	62,186	0	0	0	(62,186)	0	(62,186)
AEA flowthrough	233,639	0	233,639	0	0	0	0
Depreciation (unallocated)*	81,758	0	0	0	(81,758)	0	(81,758)
	468,105	0	233,639	16,375	(218,091)	0	(218,091)
Total governmental activities	6,712,966	575,611	809,361	16,575	(5,311,419)	0	(5,311,419)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	312,912	204,729	114,780	0	0	6,597	6,597
FFA Farm	7,559	7,199	0	0	0	(360)	(360)
Total non-instructional programs:	320,471	211,928	114,780	0	0	6,237	6,237
Total	\$ 7,033,437	787,539	924,141	16,575	(5,311,419)	6,237	(5,305,182)
General Revenues:							
Local tax for:							
General purposes					\$ 3,223,697	0	3,223,697
Debt service					22,386	0	22,386
Capital outlay					134,635	0	134,635
Local option sales and services tax					485,306	0	485,306
Unrestricted state grants					2,439,914	0	2,439,914
Unrestricted investment earnings					136,803	1,093	137,896
Other					76,225	0	76,225
Total general revenues					6,518,966	1,093	6,520,059
Changes in net assets					1,207,547	7,330	1,214,877
Net assets beginning of year					1,798,449	49,612	1,848,061
Net assets end of year					\$ 3,005,996	56,942	3,062,938

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 1,900,176	0	0	1,900,176
Other	360,100	448,629	701,877	1,510,606
Receivables:				
Property tax				
Delinquent	35,639	0	5,452	41,091
Succeeding year	2,681,345	0	329,426	3,010,771
Income surtax	214,697	0	0	214,697
Accounts	388	0	0	388
Accrued interest:				
ISCAP(Note 4)	9,443	0	0	9,443
Due from other governments	219,348	82,802	0	302,150
TOTAL ASSETS	\$ 5,421,136	531,431	1,036,755	6,989,322
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 154,507	0	7,112	161,619
Salaries and benefits payable	549,823	0	65	549,888
ISCAP warrants payable(Note 4)	1,888,000	0	0	1,888,000
ISCAP interest payable(Note 4)	10,047	0	0	10,047
ISCAP unamortized premium	24,712	0	0	24,712
Deferred revenue:				
Succeeding year property tax	2,681,345	0	329,426	3,010,771
Income surtax	214,697	0	0	214,697
Total liabilities	5,523,131	0	336,603	5,859,734
Fund balances:				
Reserved for:				
Professional development	20,953	0	0	20,953
Market factor	3,615	0	0	3,615
Market factor incentives	4,942	0	0	4,942
Talented and gifted	17,583	0	0	17,583
Model core curriculum	3,164	0	0	3,164
Iowa child abuse prevention program	16,718	0	0	16,718
Unreserved:				
Undesignated:				
General	(168,970)	0	0	(168,970)
Management levy	0	0	260,244	260,244
Physical plant and equipment levy	0	0	341,601	341,601
Capital projects	0	531,431	0	531,431
Debt service	0	0	594	594
Other special revenue purposes	0	0	97,713	97,713
Total fund balances	(101,995)	531,431	700,152	1,129,588
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,421,136	531,431	1,036,755	6,989,322

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,129,588
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,550,495
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	214,697
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	44,867
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,414)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,929,237)
Net assets of governmental activites (page 13)	<u><u>\$ 3,005,996</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,778,647	0	387,374	3,166,021
Local option sales and service tax	0	485,306	0	485,306
Tuition	310,045	0	0	310,045
Other	184,451	55,953	283,756	524,160
Intermediate sources	5,000	0	0	5,000
State sources	3,089,744	0	3,200	3,092,944
Federal sources	122,340	0	0	122,340
Total revenues	6,490,227	541,259	674,330	7,705,816
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,828,344	66,148	0	2,894,492
Special instruction	659,961	0	0	659,961
Other instruction	643,213	0	226,429	869,642
	4,131,518	66,148	226,429	4,424,095
Support services:				
Student services	133,895	0	0	133,895
Instructional staff services	90,283	600	241	91,124
Administration services	653,564	0	17,739	671,303
Operation and maintenance of plant services	370,915	0	64,618	435,533
Transportation services	346,875	64,240	12,020	423,135
	1,595,532	64,840	94,618	1,754,990
Other expenditures:				
Facilities acquisitions	0	208,899	28,808	237,707
Long-term debt:				
Principal	0	0	215,000	215,000
Interest and fiscal charges	0	0	57,772	57,772
AEA flowthrough	233,639	0	0	233,639
	233,639	208,899	301,580	744,118
Total expenditures	5,960,689	339,887	622,627	6,923,203
Excess of revenues over expenditures	529,538	201,372	51,703	782,613
Other financing sources(uses):				
Transfer in	0	0	246,345	246,345
Transfer out	0	(246,345)	0	(246,345)
Sale of equipment and materials	30	0	0	30
Total other financing sources(uses)	30	(246,345)	246,345	30
Net change in fund balances	529,568	(44,973)	298,048	782,643
Fund balance beginning of year	(631,563)	576,404	402,104	346,945
Fund balance end of year	\$ (101,995)	531,431	700,152	1,129,588

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ 782,643

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 423,215	
Depreciation expense	(188,542)	
Loss on asset disposal	(217,041)	17,632

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are the following:

Repaid	215,000
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Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (5,670)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (4,414)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 214,697

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(12,341)
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Changes in net assets of governmental activities(page 14) \$ 1,207,547

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
ASSETS				
Cash and pooled investments	\$ 24,889	17,863	42,752	44,867
Accounts receivable	3,148	0	3,148	0
Inventories	5,259	0	5,259	0
Capital assets, net of accumulated depreciation(note 5)	11,230	0	11,230	0
TOTAL ASSETS	44,526	17,863	62,389	44,867
LIABILITIES				
Accounts payable	0	236	236	0
Unearned revenue	5,211	0	5,211	0
TOTAL LIABILITIES	5,211	236	5,447	0
NET ASSETS				
Invested in capital assets	11,230	0	11,230	0
Unrestricted	28,085	17,627	45,712	44,867
TOTAL NET ASSETS	\$ 39,315	17,627	56,942	44,867

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 204,729	7,199	211,928	244
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	119,833	0	119,833	0
Benefits	45,945	0	45,945	5,914
Services	6,771	0	6,771	0
Supplies	137,932	7,559	145,491	0
Depreciation	2,431	0	2,431	0
TOTAL OPERATING EXPENSES	312,912	7,559	320,471	5,914
OPERATING LOSS	(108,183)	(360)	(108,543)	(5,670)
NON-OPERATING REVENUES:				
Interest	1,093	0	1,093	0
State sources	4,137	0	4,137	0
Federal sources	110,643	0	110,643	0
TOTAL NON-OPERATING REVENUES	115,873	0	115,873	0
Change in net assets	7,690	(360)	7,330	(5,670)
Net assets beginning of year	31,625	17,987	49,612	50,537
Net assets end of year	\$ 39,315	17,627	56,942	44,867

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 205,858	0	205,858	0
Cash received from miscellaneous operating activities	591	7,199	7,790	244
Cash payments to employees for services	(165,935)	0	(165,935)	(5,914)
Cash payments to suppliers for goods or services	(131,184)	(7,558)	(138,742)	0
Net cash used in operating activities	(90,670)	(359)	(91,029)	(5,670)
Cash flows from non-capital financing activities:				
State grants received	4,137	0	4,137	0
Federal grants received	96,759	0	96,759	0
Net cash provided by non-capital financing activities	100,896	0	100,896	0
Cash flows from capital financing activities:				
Acquisition of capital assets	(4,325)	0	(4,325)	0
Cash flows from investing activities:				
Interest on investments	1,093	0	1,093	0
Net increase(decrease) in cash and cash equivalents	6,994	(359)	6,635	(5,670)
Cash and cash equivalents at beginning of year	17,895	18,222	36,117	50,537
Cash and cash equivalents at end of year	\$ 24,889	17,863	42,752	44,867
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (108,183)	(360)	(108,543)	(5,670)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	13,884	0	13,884	0
Depreciation	2,431	0	2,431	0
Increase in inventories	(365)	0	(365)	0
Increase in accounts receivable	(2,942)	0	(2,942)	0
Increase in accounts payable	0	1	1	0
Decrease in salaries and benefits payable	(157)	0	(157)	0
Increase in unearned revenue	4,662	0	4,662	0
Net cash used in operating activities	\$ (90,670)	(359)	(91,029)	(5,670)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 24,889	17,863	42,752	44,867

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$13,884.

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$	157,689
Interest receivable		1,237
TOTAL ASSETS		<u>158,926</u>
LIABILITIES		
Accounts payable		<u>1,000</u>
NET ASSETS		
Reserved for scholarships		147,072
Unreserved		10,854
TOTAL NET ASSETS	\$	<u><u>157,926</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 7,593
Stock dividends	46
Total additions	<u>7,639</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>6,500</u>
Change in net assets	1,139
Net assets beginning of year	<u>156,787</u>
Net assets end of year	<u><u>\$ 157,926</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The St. Ansgar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of St. Ansgar, Carpenter, Stacyville and Grafton Iowa, and the predominate agricultural territory of Worth and Mitchell County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, St. Ansgar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The St. Ansgar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Worth and Mitchell County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund, FFA Farm Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District and the FFA Farm Fund is used to account for the operations of the District's FFA Farming operations program.

The District also reports one fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$605,217.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 43</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Certificates of Deposit	<u>\$ 128,268</u>

Investments in common stock are stated at the approximate fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2008, the District's investment in common stock is the following:

<u>Name of Stock</u>	<u>Number of Shares</u>	<u>Fair Value</u>
Coca Cola	33	\$2,244
Principal Financial Group	471	\$10,984
Dominion Resources, Inc.	114	\$1,743
Total	<u>\$ 618</u>	<u>\$14,971</u>

Concentration of credit risk. The District places no limit on the amount that may be invested in any one issuer. The District's investment in common stock is approximately 10 percent of the District's total investments.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 246,345</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 652,086	8,970	650,000	9,683
2008-09A	6/26/2008	6/25/2009	1,248,090	473	1,238,000	364
Total			<u>\$ 1,900,176</u>	<u>9,443</u>	<u>1,888,000</u>	<u>10,047</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07B	\$ 175,000	0	175,000	0
2007-08A	0	1,930,000	1,930,000	0
2007-08B	0	325,000	325,000	0
Total	<u>\$ 175,000</u>	<u>2,255,000</u>	<u>2,430,000</u>	<u>0</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,408	0	0	105,408
Total capital assets not being depreciated	105,408	0	0	105,408
Capital assets being depreciated:				
Buildings	5,103,014	136,624	143,975	5,095,663
Land improvements	0	154,536	0	154,536
Machinery and equipment	3,236,787	132,055	299,451	3,069,391
Total capital assets being depreciated	8,339,801	423,215	443,426	8,319,590
Less accumulated depreciation for:				
Buildings	2,080,623	52,724	6,909	2,126,438
Land improvements	0	29,034	0	29,034
Machinery and equipment	2,831,723	106,784	219,476	2,719,031
Total accumulated depreciation	4,912,346	188,542	226,385	4,874,503
Total capital assets being depreciated, net	3,427,455	234,673	217,041	3,445,087
Governmental activities capital assets, net	\$ 3,532,863	234,673	217,041	3,550,495
Business-type activities:				
Machinery and equipment	\$ 87,590	4,325	0	91,915
Less accumulated depreciation	78,254	2,431	0	80,685
Business-type activities capital assets, net	\$ 9,336	1,894	0	11,230

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 21,472
Special	3,709
Other	9,853
Support services:	
Administration	1,551
Operation and maintenance	3,834
Transportation	66,365
	<u>106,784</u>
Unallocated depreciation	<u>81,758</u>
Total governmental activities depreciation expense	<u>\$ 188,542</u>

Business-type activities:

Food services	<u>\$ 2,431</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,975,000	0	215,000	1,760,000	220,000
Early Retirement	156,896	82,154	82,154	156,896	43,289
Compensated Absences	0	12,341	0	12,341	12,341
Total	<u>\$ 2,131,896</u>	<u>94,495</u>	<u>297,154</u>	<u>1,929,237</u>	<u>275,630</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of March 24, 2004		
		Principal	Interest	Total
2009	2.35 %	\$ 220,000	52,965	272,965
2010	2.55	225,000	47,775	272,775
2011	2.80	230,000	42,058	272,058
2012	3.00	240,000	35,618	275,618
2013	3.15	250,000	28,418	278,418
2014	3.35	255,000	20,543	275,543
2015	3.50	240,000	12,000	252,000
2016	3.60	100,000	3,600	103,600
Total		<u>\$ 1,760,000</u>	<u>242,977</u>	<u>2,002,977</u>

Early Retirement

Early retirement benefits are offered during certain years at the discretion of the Board of Directors of the District. In years where early retirement is offered, benefits of the plan can also change by direction of the District's Board of Directors. The following was the plan offered by the District for fiscal year 2008.

The District offered a voluntary early retirement plan to any certified staff employee who is at least age fifty-five as of August 15, 2007. Each employee that is considered for this benefit must have completed a total of 15 years of service to the school District. Employees must complete an application which is required to be approved by the Board of Education. Employees that are granted early retirement benefits may continue on the District's major medical plan as long as the employees pay the monthly premium to the District.

The District's early retirement plan currently has two options. Option A, which can have a maximum of three applicants, is a single payment option where one payment not to exceed \$27,000 is made during calendar year 2007. Option B, which can have a maximum of five applicants will be paid in two unequal installments not to exceed \$36,000. The first payment, not to exceed \$10,000, will be paid during calendar year 2007 with the remaining balance paid during calendar year 2008.

Early retirement benefits paid during the year ended June 30, 2008, totaled \$82,154. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$216,095, \$217,111 and \$206,377 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability. District contributions to ISEBA for the year ended June 30, 2008 were \$9,127.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District

assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$233,639 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Property Lease

For fiscal year 2008, the District has a lease with the City of Grafton for rental of rooms for the District's alternative school. The rental payment for the year is \$8,000.

The District currently has a lease with Rosalee Lowe for rental of a storage facility for two buses that are kept in Stacyville. Payment is \$1,150 per year until either the District or the landlord terminates the lease.

The District currently has a lease with Darren Marsh and Mullenbach Rental for rental of storage facilities for District equipment. Payments are \$17 and \$75 per month respectively. The lease will remain in effect until either the District or the landlord terminates the lease.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$605,217.

(12) Deficit Fund Balance/Net Assets

The General Fund had a deficit unreserved undesignated fund balance of \$168,970.

REQUIRED SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 4,485,532	213,021	4,698,553	4,437,575	4,437,575	260,978
Intermediate sources	5,000	0	5,000	150	150	4,850
State sources	3,092,944	4,137	3,097,081	3,002,902	3,002,902	94,179
Federal sources	122,340	110,643	232,983	281,950	281,950	(48,967)
Total revenues	7,705,816	327,801	8,033,617	7,722,577	7,722,577	311,040
Expenditures:						
Instruction	4,424,095	0	4,424,095	4,233,000	4,600,000	175,905
Support services	1,754,990	0	1,754,990	1,950,500	1,950,500	195,510
Non-instructional programs	0	320,471	320,471	366,000	366,000	45,529
Other expenditures	744,118	0	744,118	720,719	800,000	55,882
Total expenditures	6,923,203	320,471	7,243,674	7,270,219	7,716,500	472,826
Excess of revenues over expenditures	782,613	7,330	789,943	452,358	6,077	783,866
Other financing sources, net	30	0	30	0	0	30
Excess of revenues and other financing sources over expenditures	782,643	7,330	789,973	452,358	6,077	783,896
Balance beginning of year	346,945	49,612	396,557	344,752	344,752	(51,805)
Balance end of year	\$ 1,129,588	56,942	1,186,530	797,110	350,829	732,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment increasing total expenditures by \$446,281.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$605,217.

OTHER SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
ASSETS						
Cash and pooled investments	\$ 257,845	99,927	343,823	701,595	282	701,877
Receivables:						
Property tax						
Current year delinquent	3,267	0	1,873	5,140	312	5,452
Succeeding year	200,000	0	129,426	329,426	0	329,426
TOTAL ASSETS	\$ 461,112	99,927	475,122	1,036,161	594	1,036,755
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 868	2,149	4,095	7,112	0	7,112
Salaries and benefits payable	0	65	0	65	0	65
Deferred revenue:						
Succeeding year property tax	200,000	0	129,426	329,426	0	329,426
Total liabilities	200,868	2,214	133,521	336,603	0	336,603
Fund balances:						
Reserved for debt service	0	0	0	0	594	594
Unreserved	260,244	97,713	341,601	699,558	0	699,558
Total fund balances	260,244	97,713	341,601	699,558	594	700,152
TOTAL LIABILITIES AND FUND BALANCES	\$ 461,112	99,927	475,122	1,036,161	594	1,036,755

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total	
	Manage-	Student	Physical	Total	Debt	Total
	ment	Activity	Plant and	Special	Service	Other
	Levy		Equipment	Revenue		Nonmajor
			Levy	Funds		Governmental
						Funds
REVENUES:						
Local sources:						
Local tax	\$ 230,353	0	134,635	364,988	22,386	387,374
Other	13,984	255,192	14,316	283,492	264	283,756
State sources	148	0	3,038	3,186	14	3,200
TOTAL REVENUES	244,485	255,192	151,989	651,666	22,664	674,330
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	226,429	0	226,429	0	226,429
Support services:						
Instructional staff services	0	241	0	241	0	241
Administration services	17,739	0	0	17,739	0	17,739
Operation and maintenance of plant services	64,618	0	0	64,618	0	64,618
Transportation services	12,020	0	0	12,020	0	12,020
Other expenditures:						
Facilities acquisition	0	0	28,808	28,808	0	28,808
Long-term debt:						
Principal	0	0	0	0	215,000	215,000
Interest and fiscal charges	0	0	0	0	57,772	57,772
TOTAL EXPENDITURES	94,377	226,670	28,808	349,855	272,772	622,627
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	150,108	28,522	123,181	301,811	(250,108)	51,703
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	246,345	246,345
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	150,108	28,522	123,181	301,811	(3,763)	298,048
FUND BALANCE BEGINNING OF YEAR	110,136	69,191	218,420	397,747	4,357	402,104
FUND BALANCE END OF YEAR	\$ 260,244	97,713	341,601	699,558	594	700,152

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 5,377	3,514	2,389	6,502
Speech	506	0	225	281
Vocal Music	928	2,767	3,186	509
Choir Robes	884	875	0	1,759
Band and Choir Trip	2,982	10,399	6,286	7,095
Vocal Music Activities	1,320	3,852	0	5,172
Instrument Rent	1,198	90	145	1,143
High School Band	664	2,448	2,783	329
Middle School Band	3	0	0	3
Band Uniforms	1,282	250	0	1,532
Music Concessions	517	10,973	11,022	468
Cheerleaders	411	18,844	7,649	11,606
Baseball	3,502	4,100	4,916	2,686
Softball	1,593	0	1,534	59
HS Athletics	942	75,196	69,066	7,072
MS Athletics	528	2,980	3,428	80
MS Student Council	588	3,322	3,604	306
HS Student Council	413	2,158	1,895	676
Elem. Student Council	9	507	327	189
Annual	8,924	12,596	14,518	7,002
Art Club	2,035	0	199	1,836
German Club	1,489	3,695	3,645	1,539
Industrial Arts Club	3,191	2,620	3,271	2,540
Revolving Shop - MS	282	0	0	282
MS Activities	254	638	665	227
Class of 2012	7,120	0	6,466	654
Class of 2010	549	0	0	549
Class of 2009	806	26,782	20,797	6,791
FCCLA	36	953	551	438
Spanish Club	1,588	0	1,522	66
Saints Pride	1,029	174	862	341
Student Book Club	20	7,833	7,853	0
FFA	4,406	32,592	31,566	5,432
Student Pictures	5,904	17,702	9,520	14,086
Milk Machines	2,432	4,033	3,071	3,394
Towel Rental	3,837	2,454	2,715	3,576
Insurance	0	245	245	0
Petty Cash	100	0	0	100
Community Education	176	30	0	206
Student Extended Learning	381	130	470	41
Computer Club	985	440	279	1,146
Total	\$ 69,191	255,192	226,670	97,713

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2008

Private Purpose Trust - Scholarship Fund							
	Kulik	Ramsay	Sheka	Arnold	Maurine	Vocal	
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Memorials	Total
ASSETS							
Cash and pooled investments	\$ 11,007	10,862	22,568	105,758	6,494	1,000	157,689
Interest receivable	2	38	68	1,105	24	0	1,237
TOTAL ASSETS	\$ 11,009	10,900	22,636	106,863	6,518	1,000	158,926
LIABILITIES							
Accounts payable	\$ 0	0	1,000	0	0	0	1,000
NET ASSETS							
Reserved for scholarships	10,872	10,000	20,000	100,000	6,200	0	147,072
Unreserved	137	900	1,636	6,863	318	1,000	10,854
TOTAL NET ASSETS	\$ 11,009	10,900	21,636	106,863	6,518	1,000	157,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND
 CHANGES IN NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund						Total
	Kulik Scholarship	Ramsay Scholarship	Sheka Scholarship	Arnold Scholarship	Maurine Moore Scholarship	Vocal Music Memorials	
Additions:							
Local sources:							
Interest	\$ 447	444	1,040	5,394	268	0	7,593
Stock dividends	46	0	0	0	0	0	46
TOTAL ADDITIONS	493	444	1,040	5,394	268	0	7,639
DEDUCTIONS:							
Non-instructional programs:							
Scholarships awarded	500	0	1,000	5,000	0	0	6,500
Change in net assets	(7)	444	40	394	268	0	1,139
Net assets beginning of year	11,016	10,456	21,596	106,469	6,250	1,000	156,787
Net assets end of year	\$ 11,009	10,900	21,636	106,863	6,518	1,000	157,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,651,327	3,326,800	3,146,241	2,885,208	2,939,844
Tuition	310,045	211,470	183,288	128,749	132,425
Other	524,160	533,807	472,661	361,648	295,047
Intermediate sources	5,000	0	0	0	0
State sources	3,092,944	2,956,993	2,771,584	2,767,428	2,410,644
Federal sources	122,340	156,961	147,855	171,815	142,765
Total	\$ 7,705,816	7,186,031	6,721,629	6,314,848	5,920,725
Expenditures:					
Instruction:					
Regular instruction	\$ 2,894,492	3,188,377	2,939,467	2,764,925	2,633,020
Special instruction	659,961	717,157	671,818	691,043	664,163
Other instruction	869,642	593,694	685,481	577,227	532,842
Support services:					
Student services	133,895	127,565	122,449	115,147	114,685
Instructional staff services	91,124	209,929	187,880	129,933	181,098
Administration services	671,303	746,539	670,406	549,271	525,642
Operation and maintenance of plant services	435,533	451,359	477,599	484,627	433,465
Transportation services	423,135	366,153	367,380	304,032	319,713
Non-instructional programs	0	1,072	1,778	434	1,844
Other expenditures:					
Facilities acquisitions	237,707	327,064	139,833	121,152	116,718
Long-term debt:					
Principal	215,000	210,000	205,000	2,435,000	140,000
Interest and other charges	57,772	61,342	63,710	196,094	210,835
AEA flow-through	233,639	226,566	212,020	211,638	211,147
Total	\$ 6,923,203	7,226,817	6,744,821	8,580,523	6,085,172

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
St. Ansgar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Ansgar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of St. Ansgar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Ansgar Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Ansgar Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of St. Ansgar Community School District's financial statements that is more than inconsequential will not be prevented or detected by St. Ansgar Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by St. Ansgar Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ansgar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

St. Ansgar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit St. Ansgar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of St. Ansgar Community School District and other parties to whom St. Ansgar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of St. Ansgar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2009

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation that are within reason.

Conclusion - Response accepted.

I-B-08 Check Signatures - We noted during our audit, unauthorized signatures on the District's Activity Fund checks. Chapter 291.8 of the Code of Iowa requires Board Secretary to sign all checks. Pursuant to Chapter 291.1 of the Code of Iowa, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in his/her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The District has corrected this procedure. The Board Secretary signs all checks and the Board President has designated individuals to sign Activity Fund warrants on his behalf.

Conclusion - Response accepted.

I-C-08 Private Purpose Trust Fund -Individuals Receiving Checks - We noted during our audit that students were receiving checks from the Private Purpose Trust for scholarships. When the checks were written, the checks were written out to the student only.

Recommendation - When the District writes a check to the student for scholarships, the check should be written to the student and the college the student is attending once the student has supplied proof of attendance to the District.

Response - The District now issues scholarship checks to the student and the college the student is attending.

Conclusion - Response accepted.

I-D-08 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Procedure has been changed to use pre-numbered tickets for all events with reconciliations done after each event.

Conclusion - Response accepted.

I-E-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual , “The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).” Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There is a Student Pictures account which appears to be an interest account in the Student Activity Fund. Interest received in this account should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

The Student Pictures account is also comprised of Lifetouch picture commissions. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

The District writes various checks throughout the year for meal money for students that participate at state events as well as change boxes for start up cash at the gate for District events. It was noted that checks were being written to “Cash” instead of the custodian/sponsor for these events. Checks made out to “Cash” are barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

The District receives money for use of facilities when hosting district and regional events. Currently the District’s practice is to receipt rents for hosting district and regional events into the Student Activity Fund. The District also maintains a Towel Rent account within the Student Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage and towel usage into the General Fund.

The Student Activity Fund also includes a Community Education, Student Extended Learning, Industrial Arts Club and a MS Revolving Shop accounts. These accounts appear to be more instructional in nature. The District should review the appropriateness of these accounts within the Student Activity Fund. The District should transfer the remaining account balances to the General Fund if it does not meet Student Activity Fund guidelines.

There is a Milk Machine account which does not appear to be a fundraiser for a particular student run organization. If this account is not a fundraiser for a student run organization, profits generated in this account should be allocated to the individual accounts in the Student Activity Fund. If the District’s Board of Directors deems that profits from the Milk Machine account are a fundraiser for a student run organization, the profits should be placed into the corresponding activity fund account that the fundraiser is intended for. At the end of the fiscal year this account should show a zero balance.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Allocation of Student Activity Fund interest will be done annually.

Lifetouch picture commissions will be placed in the General Fund.

Meal money checks for students participating at state events as well as start up cash for change box checks are now being written to the custodian/sponsor of the event and cash.

The District will deposit a reasonable amount of rent in the General Fund for rental of facilities from the check received for hosting district and regional events. Towel rent money will be deposited into the General Fund on an annual basis and bills will be paid from the General Fund.

The Community Education, Student Extended Learning, Industrial Arts Club and a MS Revolving Shop accounts will be reviewed and transferred to the General fund if they do not meet Student Activity Fund guidelines.

Sixty percent of the profits from the Milk Machine account are intended as a fundraiser for the FFA. The remaining forty percent is to be allocated amongst the individual accounts in the Student Activity Fund. In the future, we will make the allocation at the end of the fiscal year so the account shows a zero balance.

Conclusion - Response accepted.

- I-F-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We note that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - After audit fieldwork was completed, the District implemented a system where the sponsor turns in money collected plus supporting documentation of where the money was collected from into the building office. The building office keeps a copy of supporting documentation along with a copy of the deposit slip personnel there have made out. One copy of the receipt is given back to the sponsor, one copy given to central office and one is kept at the building office. This documentation is then used by central office personnel to reconcile the bank statement.

Conclusion - Response accepted.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - During the year ended June 30, 2008, District expenditures did not exceed the amounts budgeted.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$605,217.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks or gave cash to individual students from the Student Activity Fund. The checks or cash was paid to students as prizes for top sellers for District fundraisers. Cash prizes given to top sellers for fundraisers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will no longer give cash incentive prizes to top sellers for District fundraising events.

Conclusion - Response accepted.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ed Kleinwort, Board Member Shareholder in St. Ansgar Mills	Purchased services	\$1,037
Joni DeMaris, Employee Spouse is owner of Al's Electric	Purchased service	\$13,328
Roger and Sandy Eberling, Employees and co-owners of Eberling Lawn Service	Lawn service	\$255
Rosalee Lowe, Employee	Building rent	\$1,150

Diann Tabbert, Employee Owner of Country Cakes Etc.	Purchased service	\$531
Jennifer Nielsen, Employee Co-owner of Striking Designs	Purchased service	\$1,288

The above transactions with the Board Member do appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Joni DeMaris do not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with employees of the District do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was understated by two and the number of students tuitioned out on Line 3 was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The Department of Education and the Department of Management have been contacted and the problem has been resolved.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal, Coca Cola and Dominion Resources Inc. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

Recommendation - The District should sell the stock, and invest in an investment within compliance of the District policy number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - The stocks that the District owns were all gifts to the District and generate dividends for the District. The District does not wish to sell the stocks at this time because of the dramatic drop in stock market values.

Conclusion - Response acknowledged. The District should review Board Policy 704.3 and Chapter 12B and Chapter 12C which provides guidance of allowable investments and give instruction to the treasurer who is responsible for investing to adhere to the board policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had a deficit undesignated unreserved fund balance of \$168,970 in the General Fund.

Recommendation - The District should continue to monitor the General Fund and investigate alternatives to eliminate the deficit.

Response - The District has taxed for cash reserve and expects this deficit to be eliminated by the end of FY 2009.

Conclusion - Response accepted. Although the cash reserve may eliminate the deficit in the General Fund, it will not provide relief for the deficit unspent balance of \$619,281.

II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District now receives the fronts and backs of checks as required by 554D.114.

Conclusion - Response accepted.